

CERTIFIED PUBLIC ACCOUNTANT ADVANCED LEVEL 1 EXAMINATIONS

A1.3: ADVANCED FINANCIAL REPORTING

DATE: TUESDAY 22, AUGUST 2023

INSTRUCTIONS:

- 1. Time Allowed: 3. hours 45 minutes (15 minutes reading characters and 3 hours 30 minutes writing). T2023 ICPARAUGUST 2023 I
- 2. This examination has two sections; A & B.
- 3. Section A has one Compulsory Question while section B has three optional questions to choose any two.
- 4. In summary attempt three questions.
- Sara Marks allocated to each question are shown at the end of the large strong and the end of the large shown at the end of the large strong s
- 6. Show all your workings where necessary
- 7. The question paper should not be taken out of the examination icparaugust 2023 icparaugu

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SECTION A

QUESTION ONE

a) Mob Ltd is company producing Cement from volcanic ashes over 20 years. Draft consolidated financial statements of Mob Ltd are as follows; araugust2023 icparaugust2023 icpa

Table 2.1: Consolidated Statement of profit or loss account for the years ended 31 peralugust 2023 icparalugust 2023 icp

Other income Investment income Ouspect Capability C	CPARALIGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 IC C PARTICULAYS 3 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 IC	PARA FRW million
Investment income Gust2023 (CPARAUGUST2023 (CPARAUGUST2023 (CPARAUGUST2023 (CPARAUGUST2023)	COPALICIEST 2023 (FARAUGUST 2023 ICPARAUGUST 2023 ICPARAU	PARAUGUST2022,000
Share of profit from associate Paradust 2023 ic paradust	Other income paraugust 2023 icparaugust 2023 icparaugust 2023 icparaugust 2023 ic	PARAUGUST2023 ICPARA
Expenses 023 ICPARAUGUST2023 I	c investment/income .jgust2023.icparaugust2023.icparaugust2023.icparaugust2023.icparaugust2023.ic c investment/income .jgust2023.icparaugust2023.icparaugust2023.icparaugust2023.icparaugust2023.ic	PARAUGUST2023 ICPARA PARAUGUST2023 I .850 A
Expenses 023 ICPARAUGUST2023 I	CSTRAUGUST2023 CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 IC Share of profit from associate araugust2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 IC	PARAUGUST2023 IC 320^{A}
Expenses: 023 ICPARAUGUST2023	CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 IC	PARAUGUST202 3,170 4
Distribution cost RAUGUST2023 ICPARAUGUST2023	oparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 ic CExpenses:023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 ic	PARAUGUST2023 ICPARA PARAUGUST2023 ICPARA
Administrative cost GUST2023 ICPARAUGUST2023 I		PARAUGUST20231CPARA PARAUGUST2023 (450) A
Finance costs CPARAUGUST2023 ICPARAUGUST2023 I		
Profit before tax August 2023 ICPARAUGUST 2023 ICPARAUGUS	CFARAUGUS 12023 PCFARAUGUS 12023 PCFARAUGUS 12023 PCFARAUGUS 12023 PCFARAUGUS 12023 PCFARAUGUS 12023 PC	EARAN WWW. 12023 YOF ARK
Income tax expense (UST2023 ICPARAUGUST2023 IC	CPAPATICTIST 2023 TCPAPATICTIST 2023 TCPAPATICTIST 2023 TCPAPATICTIST 2023 TCPAPATICTIST 2023 TC	PARATICITETOROSTORARA
Profit for the year GUST2023 ICPARAUGUST2023 I	ODADATIGITOTO O O A TODADATIGITOTO O O A TODADATIGITOTO O O A TODADATIGITOTO O O A TODADATIGITOTO O O A	DADATIGUIGMOOOO TODADA
Other comprehensive income RAUGUST2023 ICPARAUGUST2023 ICPARAU	$\cup_{i=1,\dots,n}\cup_{i=1,\dots,$	
Revaluation surplus Paraugust Paraugus		PARAUGUST2023 ICPARA PARAUGUST2023 ICPARA
Total comprehensive income ARAUGUST2023 ICPARAUGUST2023 ICPARA		PARAUGUST2023 ICPARA
Profit Attributable to 12023 ICPARAUGUST2023 I		PARAUGUST2023IGF70
Holding company August 2023 Icparaugust		PARAUGUST2023 ICPARA PARAUGUST2023 ICPARA
Non-controlling interest 2023 ICPARAUGUST2023	CPARATIGITST 2023 TCPARATIGITST 2023 TCPARATIGITST 2023 TCPARATIGITST 2023 TCPARATIGITST 2023 TC	PARAUGUST2023 ICPARA PARAUGUST2023 I .900 A
CPARAUGUST2023 ICPARAUGUST2023		PARAUGUST2023 ICP70A
Comprehensive income attributable to 2023 ICPARAUGUST2023 ICPA	CPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 IC CPARAUGUS 12023 ICPARAUGUS 12023 ICPAR	PARAUGUSI ZUZSI CPARA
Parent ust 2023 ic paraugust 2	eparaugust2023 ieparaugust2023 ieparaugust2023 ieparaugust2023 ieparaugust2023 ieparaugust2023 ie C Comprehensive income attributable to r2023 ieparaugust2023 ieparaugust2023 ieparaugust2023 ie	PARAUGUST2023 ICPARA PARAUGUST2023 ICPARA
Non-controlling interest 2023 ICPARAUGUST2023		PARAUGUST2023 ICPARA PARAUGUST2022 1,000 A
CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPAR		PARAUGUST2023 ICP 70
CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 117	oparaugus 12023 icparaugus 12023 icparaugus 12023 icparaugus 12023 icparaugus 12023 icparaugus 12023 ic Cparaugus 12023 icparaugus 12023 icparaugus 12023 icparaugus 12023 icparaugus 12023 icparaugus 12023 ic	PARAUGUST2023 ICPARA PARAUGUST2023 [[P70]

Table 2.2: Consolidated Statement of financial position

Particulars 3 ICPARAUGUST2023 ICPARAUGUST2028	ICPARAUGUST2	31-Dec-21	JST2023 ICPARAU	31-Dec-20
CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2028	ICPARAUG FR 2	WMillion	JST2023 ICPARA	RW Million
Assets UST2023 ICPARAUGUST2023 ICPARAUGUST2023	ICPARAUGUST2	2023 ICPARAUGI	JST2023 ICPARAU	JGUST2023 ICPAR
Non-current assets GUST2023 ICPARAUGUST2023	ICPARAUGUST2	2023 ICPARAUGI	JST2023 ICPARAU	IGUST2023 ICPAR
Property, plant and equipment ARAUGUST2023	ICPARAUGUST2	023 10 2,800 1	JST2023 ICPARAU JST2023 ICPARAU	GUST202 3,290
Intangible assets RAUGUST2023 ICPARAUGUST2023	ICPARAUGUST2	023 IC 24 4.5 I	JST2023 ICPARAU	IGUST2023 ICPAR
Investment in associates 2023 ICPARAUGUST 2023	ICPARAUGUST	2023 ICPARAUGI 2023 ICPA 450 FI	JST2023 ICPARAU JST2023 ICPARAU	GUST2023 ICPAR IGUST2023 IC 200
Total non-current assets23 ICPARAUGUST2028	ICPARAUGUST	023 IC 3,465 I	JST2023 ICPARAU	GUST202 3,490
Current assets ARAUGUST2023 ICPARAUGUST2023	ICPARAUGUST	2023 ICPARAUGI 2023 ICPARAUGI	JST2023 ICPARAU JST2023 ICPARAU	IGUST 2023 ICPARA IGUST 2023 ICPARA
Inventories 3 ICPARAUGUST2023 ICPARAUGUST2023	ICPARAU 650 T	2023 ICPARAUGI	JST2023 IC 850 AU	IGUST2023 ICPAR
Receivables 1CPARAUGUST2023 ICPARAUGUST2023	ICPARALGUST	2023 ICPARAUGI	JST2023 IC 820 AU	IGUST2023 ICPAR

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Particulars ICPARAUGUST2023 ICPARAUGUST202	23 ICPARAUGUST2 313 DEC 21 FUS 28 ICPARAUGUST2023 ICPARAUGUS		ST2023 ICPARAUGU 3 P_Dec P 20 N ST2023 ICPARAUGUST2023 ICPARAU			
CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202	BICPARAUGUST	W Million	IST2023 ICPARA IST2023 ICPARA	ST2023 ICPARA FRW Million ST2023 ICPARAUGUST2023 ICPARA		
Cash in hand CPARAUGUST2023 ICPARAUGUST202	BICPARAU30072	023 ICPARAUGU 023 ICPARAUGU	IST2023 ICPARAU IST2023 ICPARAU	GUST2023 ICPARA GUST2023 ICPARA		
Total current assets UST2023 ICPARAUGUST202	BICPARAUGUST2	023 IC 2,020	IST2023 ICPARAU	GUST2023 1,670		
PT AL JUST (22 ICPARAUGUST 2023 ICPARAUGUST 202 PARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 202.	BICPARAUGUST2 BICPARAUGUST2	023 IC 5,485 U	ST2023 ICPARAU ST2023 ICPARAU	GUST2023 5 C 160 GUST2023 5 C 160		
Equity and liability ust2023 ICPARAUGUST202 Equity and liability ust2023 ICPARAUGUST202	BICPARAUGUST2 BICPARAUGUST2	023 ICPARAUGU 023 ICPARAUGU	ST2023 ICPARAU ST2023 ICPARAU	GUST2023 ICPARA GUST2023 ICPARA		
Ordinary share capital of FRW 20 each	B ICPARAUGUST2 B ICPARAUGUST2	023 ICPARALGU 023 ICPARALGU	ST2023 ICPARAU IST2023 ICPARAU	GUST2023 IC 500 GUST2023 IC 500		
Revaluation, reserve JUST 2023 ICPARAUGUST 202	BICPARAUGUST2 BICPARAUGUST2	023 ICPARA 023 ICPARA 001	ST2023 ICPARAU IST2023 ICPARAU	GUST2023 ICPARA GUST2023 ICPARA		
Retained earnings AUGUST 2023 ICPARAUGUST 2023 ICPARAUGUS	BICPARAUGUST2 BICPARAUGUST2	023 IC 2,100	ST2023 ICPARAU IST2023 ICPARAU	GUST20231.400		
Total Equity owners' funds PARAUGUST202	BICPARAUGUST2 BICPARAUGUST2	023 ICI 2,710 t	ST2023 ICPARAU IST2023 ICPARAU	GUST2023 1,900		
Non-controlling interests 23 ICPARAUGUST202	BICPARAUGUST2 BICPARAUGUST2	023 ICPARA 023 ICPAR 53 I	ST2023 ICPARAU IST2023 ICPARAU	GUST2023 IC840 GUST2023 IC840		
CPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 202 CPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 202	3 ICPARAUGUST2 3 ICPARAUGUST2	023 10 3,563	ST2023 ICPARAU IST2023 ICPARAU	GUST2023 2,740		
Non-current liabilityst2023 ICPARAUGUST202	3 ICPARAUGUST2 3 ICPARAUGUST2	023 ICPARAUGU 023 ICPARAUGU	ST2023 ICPARAU IST2023 ICPARAU	GUST2023 ICPARA GUST2023 ICPARA		
Lease obligations August 2023 ICPARAUGUST 202	BICPARAU 20012 BICPARAU 20012	023 ICPARAUGU 023 ICPARAUGU	ST2023 ICPARAC ST2023 IC 400 U	GUST2023 ICPARA GUST2023 ICPARA		
Loan stock 23 icparaugust 2023 icparaugust 202	BICPARAUGUST2 BICPARAUGUST2	023 ICPARAUGI 023 ICPARAUGI	ST2023 ICPARATE ST2023 IC 400 L	GUST2023 ICPARA GUST2023 ICPARA		
Deferred tax icparaugust2023 icparaugust202	BICPARAUGUST2 BICPARAU 250 12	023 ICPARAUGU 023 ICPARAUGU	ST2023 ICPARAT ST2023 IC 200 U	GUST2023 ICPARA GUST2023 ICPARA		
Total non-current liability CPARAUGUST202	BICPARAUGUST2 BICPARAUGUST2	023 ICPARAUGI 023 ICPA 450 I	ST2023 ICPARAU IST2023 ICPARAU	GUST20231CPAR GUST2023 1,000		
Current liabilities gust2023 ICPARAUGUST202	BICPARAUGUST2	023 ICPARAUGU 023 ICPARAUGU	IST2023 ICPARAU	GUST2023 ICPARA		
Trade payables araugust2023 ICPARAUGUST202	BICPARAUGUST BICPARAU 345 T2	023 ICPARAUGU 023 ICPARAUGU	ST2023 IC 240 U	GUST2023 ICPARA		
Interest payable RAUGUST2023 ICPARAUGUST202	BICPARAUGUSI2	023 ICPARAUGU	ST2023 ICP/60U	GUST2023 ICPARA		
Current tax payable GUST 2023 ICPARAUGUST 202	BICPARAUGUST	023 ICPARAUGI	IST2023 ICPARAC IST2023 ICI 12:0 U	GUST2023 ICPARA		
Lease obligations AUGUST 2023 ICPARAUGUST 202	BICPARAUGUST	023 ICPARAUGI	ST2023 1,000 U	GUST2023 ICPARA		
Bank overdraft ARAUGUST2023 ICPARAUGUST202	BICPARAUGUST BICPARAUGUST	023 ICPARAUGI	IST2023 ICPARAU	GUST2023 ICPARA		
Total current liability 2023 ICPARAUGUST202	BICPARAUGUST2	023 IC 14,472 1	IST2023 ICPARAU	GUST2023 1,420		
FTotal equity and liability ICPARAUGUST202	B ICPARAUGUST2	023 101 5,485 1	IST2023 ICPARAU	GUST2023 5,160		

Addition information

- 1 Plant with carrying amount of FRW 300 million was disposed of at a loss of FRW 20 ARAU CHARAUCH ST202 ICPARAUGUST 2023 ICPA
- 2. During the year ended 31 December 2021, Mob Ltd leased heavy machines from Sorwafe Ltd for 10 years. The present value of lease rentals at time of lease was FRW 200 million.
- 3. The board approved expansion program to increase shareholders' return. On 01 January 2021, Mob Ltd acquired 75% share capital of White Stone Ltd at agreed consideration of FRW 22 million. Mob Ltd measures non-controlling interest in White stone using proportion of the net assets acquired.

Table 2.3: Consideration to acquire White Stone Ltd was settled as follows;

ICParticulars ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAI FRWomillion A
ICDADALICUSTO002 ICDADALICUSTO002 ICDADALICUSTO002 ICDA	PALICUSTO002 ICDADALICUSTO002 ICDADALICUSTO002 ICDADAL
Shares issued (Share exchange) RAUGUST 2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICP 10 AU
ICDA DALICUSTO O O 2 ICDA DALICUSTO O O 2 ICDA DALICUSTO O O 2 ICDA	DALICHETOOO2 ICDADALICHETOOO2 ICDADALICHETOOO2 ICDADAL
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ICCash payment Paraugust 2023 ICPARAUGUST 2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAU
ICPARALIGUETO COSTORARALIGUETO COSTORARALIGUETO COSTORA	PATIOTICTOROS ICPARATIOTICTOROS ICPARATIOTICTOROS ICPARAT
101 M(10 (10 51 20 25 101 M(10 (10 51 20 25 101 M(10 (10 51 20 25 101 M	10100051202510110100051202510110100051202510111010
ICFAotal Sust 2023 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICP 29 AU
ICDA DALICITOTO O O LODA DALICITOTO O O LODA DALICITOTO O O LODA	DATICHETOOO TODADATICHETOOO TODADATICHETOOO TODADAT

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4. The net assets of White stone Ltd at the date of acquisition were as follows;

Table 2.4: White Stone Ltd's net assets at acquisition date.

ICPARAUGUS I 2023 ICPARAUGUS I 2023 ICPARAI
CPARAUGUST2023 ICPARA FRW million
CPARAUGUST2023 ICPARAUGUST2023 ICP004
CPARAUGUST2023 ICPARAUGUST2023 ICP50
CPARAUGUST2023 ICPARAUGUST2023 ICP 20
CPARAUGUST2023 ICPARAUGUST2023 I(40)
CPARAUGUST2023 ICPARAUGUST2023 I (75)
CPARAUGUST2023 ICPARAUGUST2023 I(45)

Required:

Prepare consolidated statement of cash flow of Mob group Ltd for the year ended 31 December 2021 (using the indirect method under IAS 7 Statement of Cash flows).

(40 Marks)

b) IFRS 10 defines an investment entity as an entity that: (i) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (ii) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

Required:

- i) Explain the consolidation exception applicable to an investment entity. (5 Marks)
- ii) Discuss the disclosure requirements applicable to an entity that becomes, or ceases to ICPABE an investment entity. ICPABALIGUST 2023 ICPABALIGUST 2023

(Total: 50 Marks)

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SECTION B

QUESTION TWO

(a) Byumba General Enterprises (BGE) is a goods transporting company located in Rwanda with its headquarters found in the Northern province. BGE's business is transport large volume items for a number of customers across in Rwanda that mainly include construction companies. BGE leases all its trucks from PK Trucks Ltd.

On 1 January 2022, BGE entered into a 4-year lease contract with PK Trucks Ltd to lease fifty (50) long vehicle trucks having incurred legal costs of FRW 45,000 million paid to a legal firm that set up the lease contract. Though the economic useful life of these trucks is 12 years, BGE intends to use the trucks for four (4) years making 4 annual payments of FRW 500,000 million every 1 January with the first payment made on 1 January 2022. Based on BGE's incremental borrowing rate of 7.5% per annum the following discount rates are applicable to the rental payments under the lease contract:

GUST202310	CPARAUGU	JST2023	ICPARA	JUGUST	2023 I	CPARAI	IJG
Date/ye	ar augu	JST2023	ICPARA	ugubi	scou	nt rat	e
GUST2023 I	CPARAUGU	JST2023	ICPARA	UGUST	2023 I	CPARA	UG
GUS <u>T</u> 2023 I							
rg 1 s Janua :	ry 2022	JST2023	ICPARA	UGUST	900 i	CPARA	UG
GUST2023 I							
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GUST2023 I	CPARAUGU	JST2023	ICPARA	UGUST	2023 I	CPARA	UG
GUST2023 I	CPARAUGU	JST2023	ICPARA	UGUST	2023 I	CPARA	UG
GUSTANUA GUST2023 I	rv 2024	JST2023	ICPARA	UGUST	8651	CPARA	UG
GUST2023 I	CPARAUGU	JST2023	ICPARA	UGUŠT	2023 I	CPARA	UG
GUST2023 IC	CPARAUGU	JST2023	ICPARA	UGUST	2023 I	CPARA	UG
1 Janua	ry 2025	JST2023	ICPARA	UGUST	8051	CPARA	UG
GUST202310	PARALIGI	IST2023	ICPARA	UGUST	2023 I	CPARAI	UG

Required:

In terms of the lease contract above, show the calculations for the following as should be recognised by BGE in its financial statements:

- i PAR The present value of the lease liability on 1 January 2022 GUST2023 ICPARAUGUST (22Marks)
- ii. The fair value of the right-of-use asset on 1 January 2022 UST2023 ICPARAUGUS (2 Marks)
- iiiar The balances for the lease liability and right-of-use asset for each of all the four years cparaugust 2023 icparaugust (8 Marks)
- (b) In addition to the information provided above, the Rwanda Revenue Authority only allows a tax relief for the lease rentals paid by BGE and not any other periodic expenses incurred in the lease.

The tax rate applicable to BGE's deferred tax calculations is 30%

Required:

Using appropriate calculations, explain to BGE the deferred tax implications arising from CPARAUGUST 2023 ICPARAUGUST 2023 IC

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- (c) Briefly explain to PK Trucks limited how the above lease agreement should be ICPAR classified and treated in the financial statements of PK Trucks Ltd. (Hint: ignore any ICPARAUGUST2023 ICPARAUGUST2023
- (d) You are the Finance manager of BGE and a Certified Public Accountant (CPA) member with the Institute of Certified Public Accountants of Rwanda (ICPAR). Mr. Deo Kazungu is the Managing Director of BGE and he is also a CPA member of the ICPAR. You are aware that in January 2023, Deo shared with his wife Alice, all the information concerning BGE's lease contract with PK Trucks Ltd disclosing to her details of an additional lease contract which is about to be signed between BGE and PK Trucks Ltd where BGE will lease another 200 trucks on ten-year basis starting in January 2024. The new lease contract is anticipated to result into a significant increase in PK Truck Ltd's share price which is expected to increase by about 5 times (PK Truck Ltd's shares are listed on the Rwanda stock market). Deo has advised Alice to purchase shares in PK Trucks Ltd before the additional contract and for this reason he will ensure the lease contract is signed to benefit Alice with an increase in the value of her investment in PK Truck Ltd. Consequently, Alice acquired 25% shareholding in PK Trucks Ltd in March 2023. Alice plans to dispose of the shares after the new lease contract is signed immediately when the share price goes up as anticipated.

Required:

Identify and discuss the ethical issues arising from the scenario and the actions you should take as a consequence. Toparaugust 100 ARAUGUST 100 ARA

(Total: 25 Marks)

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QUESTION THREE

(a) Rwanda Executive Suites (RES) is a public limited company and a local company in Rwanda owning a number of hotels and apartments for rent to the public. RES operates with a year-end of 31 December. 23 ICPARAUGUST 2023 ICPAR

The head office of RES is a large 15-floor building located in Kigali. RES commenced the construction of this head-office building on 1 January 2018 and construction was completed on 30 September 2019 although the building did not operate due to the pending office partitioning and interior access routes in the building which were delayed and completed on 31 December 2019. The total construction costs by the end of the construction excluding the finance costs were FRW 600,000 million (this includes FRW 90,000 million for office partitioning and installation of the access routes).

On 1 January 2018, RES took out a five-year loan of FRW 500,000 million to finance the construction of the head-office building. The interest on the loan is payable at 15% per annum with all the interest payable once at the end of the loan term together with the principal amount.

During the construction period, due to the slump in property values in Rwanda, the market values of buildings similar to RES's head office fell significantly. RES estimated that on 31 December 2019, the net selling price of its head office building was FRW 690,000 million while the value-in-use was FRW 638,000 million.

On completion of the construction, it was estimated that the economic useful life of the head office building was twenty-five (25) years while the roof had an estimated useful life of twenty (20) years before it would be replaced and this estimate has remained valid. It was validated in the engineer's report on 1 January 2020 that the head office roof represents 30% of the entire building cost.

RES has adopted a policy of annual revaluations of the head office building due to the unstable CPARAUGUST 2023 ICPARAUGUST 2

ic Pa	articulars icparaugust 202	3 ICPARAUGUST 313 December 2020 P	araugust2023 31 a December 2021 a i
ICN	etiselling2price	B ICPARAUGUST2023 ICPARAUG 560,000 P	araugust2023 icparaugust2020 icparaugust2530,000 i
ICIVA ICIVA	RAUGUST2023 ICPARAUGUST202 A lue in t use ICPARAUGUST202	s icparaugus 12023 icparaugus 2000 p 8 icparaugus 12023 icparaug 580,000 p	araugust2023 icparaugust2 540,000 i

Revaluation surpluses or deficits are apportioned appropriately between the head office paral, gust2023 icparal gust2023 icparaugust2023 icpar

Required:

Using suitable calculations, explain the accounting treatment of the head office building in increase of the head office building in the financial statements of RES for the financial years ended: gust2023 icparaugust2023 i

(i) 31 December	RAUGUST2023 ICP	ARAUGUST2023	ICPARAUGUST2	023 ICPARAUGU	IST2023 ICPARAU	JGUST2 0 23 JCPARAU
(HAR AL LIPECEHIDEI	RACAST2023 ICP	ARAUGUST2023	ICPARAUGUST2	023 ICPARAUGU	IST2023 ICPARAU	(7 Marks)
(ii) 31 December	RAJOJUST2023 ICP	ARAUGUST2023	ICPARAUGUST2	023 ICPARAUGU	ST2023 ICPARAU	(5 Marks)
THE ST DECEMBER	RAKAST2023 ICP	ARAUGUST2023	ICPARAUGUST2	023 ICPARAUGU	ST2023 ICPARAU	IGUST (32 WIALKS)
(iii) 31 December	RAMAST2023 ICP	ARAUGUST2023	ICPARAUGUST2	023 ICPARAUGU	ST2023 ICPARAU	(5 Marks)
(III) 31 December	DAYAATOOO3 ICD.	APAHGHSTO003	ICDARALIGHSTS	USS ICDADALIGI	STORES ICPARAL	CHET (2) WILLIAMS)

Note: All figures should be rounded to FRW' million without any decimals.

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(b) In early 2022, on confirmation that there was an increased need for rent of office buildings by foreign investors in Rwanda, the Board approved the plan to change the use of the head office building into a commercial building available for rent to the public. On 1 February 2022, a 10 years tenancy agreement with Kwik Insurance Co (the "tenant") was signed and RES vacated the entire building relocating to another of RES's own smaller building in Remera.

Immediately prior to the new tenant occupying the building, an expert revaluation report indicated that following a sudden significant increase in property values within Kigali, RES's head office building had a market value of FRW 610,000 million on 1 February 2022 and FRW 650,000 million on 31 December 2022. The economic useful life did not change. The depreciation charge for the period to 31 January 2022 can be assumed to be negligible.

Required:

Using suitable calculations, explain the implication to RES's financial statements for the year ended 31 December 2022 the change in the use of the head office building. (8 Marks)

QUESTION FOUR

Rwanda Action on Child Abuse Trust (RACAT) is a public sector entity which is managed by the Government of Rwanda as a not-for-profit organization whose aim is to mobilize the national efforts against child abuse in Rwanda. RACAT operates with its head-office in Kigali and branches in each province of Rwanda. The main sources of funding for RACAT are donations in cash and in kind which are received from both local and international funders.

RACAT applies the "modified cash accounting" under the IPSAS framework in the preparation of its financial statements. Under this accounting system, RACAT prepares its financial statements taking into consideration: UST2023 ICPARAUGUST2023 ICPARAUGUST202

- CPAR Cash accounting for short-term incomes, operational expenses and expenditure on short-icparaugust2023 icparaugust2023 icp
- epar Accrual accounting for long-term incomes and capital expenditures (for assets with an operadustrous icparaugustrous icpar

Below is a set of account balances for RACAT for the year ended 31 December 2022:

cparaugust 2023 ieparaugust 2023 ieparaugust 2023 iei ci Particulars ieparaugust 2023 ieparaugust 2023 iei	PARAUGUST2023 K PARAUGUST2 ER N	V'million ₂)23 ICPARAUGUST2023 ICPARA)23 ICPARA FR W'million
Cash grants (Note 1) UST2023 ICPARAUGUST2023 ICI	PARAUGUST2023 IC PARAUGUST2023 IC	PARAUGUST2	023 ICPARAUGUST 2825,000
Suspense account (Note 1) 3 ICPARAUGUST 2023 ICI	PARAUGUST2023 IC	PARAUGUST2	23 ICPARAUGUST2100,000
Personnel costs araugust 2023 ici araugust 2023 ici	PARAUGUST2023 IC	195,675)23 ICPARAUGUST2023 ICPARA
Administrative expenses 023 ICPARAUGUST2023 ICI	PARAUGUST2023 IC PARAUGUST2023 IC	158,419	023 ICPARAUGUST2023 ICPARA 023 ICPARAUGUST2023 ICPARA
Operational expenses IST2023 ICPARAUGUST2023 ICI	PARAUGUST2023 IC	88,230	023 ICPARAUGUST2023 ICPARA
Communication and publicity expenses 023 ICI	PARAUGUST2023 IC	DPA 167,245 2	023 ICPARAUGUST2023 ICPARA
Other expenses araugust2023 icparaugust2023 ici	PARAUGUST2023 IC PARAUGUST2023 IC	para 7,120 2	023 ICPARAUGUST 2023 ICPARA 023 ICPARAUGUST 2023 ICPARA
Motor vehicles (Note 1) 2023 ICPARAUGUST 2023 ICI	PARAUGUST2023 IC PARAUGUST2023 IC	100,000	023 ICPARAUGUST2023 ICPAR 023 ICPARAUGUST2023 ICPAR
Land (FRW 250,000 million) and buildings	Acostust2023 IC	CPARAUGUST2	023 ICPARAUGUST2023 ICPAR
c (Note)2)t2023 icparaugus 12023 icparaugus 12023 ici	PARAUGUS 12023 IC PARAUGUST2023 IC	750,000)23 ICPARAUGUST 2023 ICPARA)23 ICPARAUGUST 2023 ICPARA

AlaJaugust 2023 ICParaugust 2023 ICParaugust 2028 ICFaraugust 2023 ICParaugust 2023 ICParaugust 2023 ICParaugust 2028 ICFaraugust 2023 ICParaugust 2023 ICParau

Particulars ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGU	TFRW'million	023 ICPARA FRW million
Furniture and fixtures (Note 2) RAUGUST2023 ICPARAUGU	ST2023 ICP $250,\!000$ 2	023 ICPARAUGUST2023 ICPARA
Office equipment (Note 2) 3 ICPARAUGUST 2023 ICPARAUGU	ST2023 ICP 315,600	023 ICPARAUGUST2023 ICPARA 023 ICPARAUGUST2023 ICPARA
Cash and cash equivalents 3 ICPARAUGUST2023 ICPARAUGU	$1512023 \text{ICP} 231,500^{\circ}$	023 ICPARAUGUST2023 ICPARA
Depreciation 1 January 2022 - buildings 23 ICPARAUGU	JST2023 ICPARAUGUST2	023 ICPARAUGUST2 150,000
Depreciation 1 January 2022 - Furniture and ARAUGU	JST2023 ICPARAUGUST2	023 ICPARAUGUST 2023 ICPARA 023 ICPARAUGUST 2023 ICPARA
CIARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGU TIXTUTES T2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGU	JST2023 ICPARAUGUST2 IST2023 ICPARAUGUST2	023 ICPARAUGUST2 100,000 023 ICPARAUGUST2 100,000
Depreciation 1 January 2022 - Equipment and AUGU	JST2023 ICPARAUGUST2	023 ICPARAUGUST2023 ICPARA
c othercfixed:assets august2023 icparaugust2023 icparaugu	JST2023 ICPARAUGUST2	023 ICPARAUGUST 2023 ICPARA 023 ICPARAUGUST 2 126,240
10% Bank loan (Property mortgage) (Note 2)	IST2023 ICPARAUGUST2 IST2023 ICPARAUGUST2	023 ICPARAUGUST2 100,000 023 ICPARAUGUST2 100,000
Fixed deposit investments - On 1 January 2022	JST2023 ICPARAUGUST2	023 ICPARAUGUST2023 ICPARA
c (Note: 3) 12023	ST2023 ICPAF 80,000 2	023 ICPARAUGUST 2023 ICPARA
Extra-ordinary item (Note 4) paraugust2023 icparaugu	$_{ m ist2023\ icpar}^{ m 512023\ icpar}_{ m 27,500}^{ m 2202}$	023 ICPARAUGUST2023 ICPARA 023 ICPARAUGUST2023 ICPARA
Prepayments & Receivables CPARAUGUST2023 ICPARAUGU	ST2023 ICPAP68,000	023 ICPARAUGUST2023 ICPARA
Payables to suppliers UST2023 ICPARAUGUST2023 ICPARAUGU	JST2023 ICPARAUGUST2	023 ICPARAUGUST20 .90,000
Capital contribution - By Government of Rwanda	JST2023 ICPARAUGUST2 JST2023 ICPARAUGUST2	023 ICPARAUGUST 2023 - CPARA 023 ICPARAUGUST 2 800,000
Accumulated reserves - 1 January 2022	IST2023 ICPARAUGUST2 IST2023 ICPARAUGUST2	023 ICPARAUGUST20248,0159 023 ICPARAUGUST20248,0159
CPARAUGUST2023 ICPARAUGUST2023	ST2023 I 2,339,259	023 ICPARAUGUS 2,339,259

The following additional notes are relevant to the preparation of RACAT's financial statements operation of PACAT's financial statements operation of the year ended 3 l December 2022: T2023 ICPARAUGUST2023 ICPARAUGUST20

- (1) RThree2new parants/were signed between PACAT2 and its/funders/in/the/year/and/these cparaugust2023 icparaugust2023 icparau
- Within the cash grants is a new annual grant of FRW 200,000 million which was received in advance in one lumpsum on 31 December 2022. The grant agreement requires RACAT to only utilize these funds to fund the administrative expenses for the office in Gisenyi for 9-months in the year 2023 starting from April 2023.
- A small grants project of FRW 180,000 million funded under the "World bank small grants scheme" to fund the media adverts on "child-abuse alerts" is another cash grant which was signed on 1 October 2022. The expenses under this grant have been fully incurred and are correctly included within the "operational expenses" in the account balances. According to the grant agreement, the funder for this project (The World Bank) will be transferring the funds to RACAT's bank account in January 2023 and this has not been recognised in the financial statements.
- A capital grant of FRW 100,000 million from the Government of Japan which was received in form of a fleet of motor vehicles for use by RACAT presented in the "suspense account". The new vehicles with a useful economic life of 5 years were received by RACAT on 31 December 2022. Prior to this grant, RACAT was leasing all its motor vehicles from Gato motors. The new grant of motor vehicles led to the cancellation of the current lease contract for motor vehicles with Gato Motors Ltd on 31 December 2022.

 RACAT agreed to pay Gato Motors a lease cancellation penalty of FRW 2,000 million

A 13august 2023 icparaugust 2023 icparaugust 2023 icparaugust 2023 icparaugust 2023 icparaugust 2029 icparaugust A 13august 2023 icparaugust 2023 icparaugust 2023 icparaugust 2023 icparaugust 2023 icparaugust 2023 icparaugust 2024 icparaugust 2 which will be payable in June 2023 (as an operational expense). RACAT has not yet accounted for the lease cancellation penalty. AUGUST2023 ICPARAUGUST2023 ICP

(2) Non-current assets:

RACAT had the following financial implications for its non-current assets:

- Land and Buildings: RACAT conducted a revaluation for the first time for all land and buildings on 1 January 2022 with the revalued amount for land remaining unchanged but the buildings were revalued to FRW 300,000 million. The remaining useful life of the buildings was assessed to be ten (10) years on 1 January 2022. The revaluation adjustment and the annual depreciation charge for the current year have not been incorporated in the financial statements.
- Included in "land and buildings" is a property located in Rwamagana (RACAT's branch office in the Eastern province) which was acquired by RACAT in January 2018 using a bank mortgage (loan) of FRW100,000 million. The mortgage which has a duration of ten (10) years carries an interest rate of 10% per annum payable to the bank on a 6-monthly basis and presented within the "administrative expenses". The mortgage interest for the last 6-months to 31 December 2022 will be paid in the first week of January 2023 and has
- -PARRACAT depreciates at a rate of 20% per annum (straight-line method) for both its CPAR "furniture and fixtures" and "office equipment". The annual depreciation charge for the CPAR year ended 31 December 2022 has not yet been recognised.
- Software: RACAT signed a contract for a "Management Information System" (MIS) software which was supplied to RACAT by the software provider on 1 January 2022. The software which had a purchase price of FRW 40,000 million has a useful life of four (4) years and RACAT agreed to pay the full amount of FRW 40,000 million in January 2023 which is outstanding. RACAT has not accounted for the software in its financial statements

Depreciation and amortization charges should be presented within the administrative expenses 2023 ICPARAUGUST 2023 ICPARAUGUS

- (3) As part of the strategy to increase its unrestricted income, on 1 January 2022, RACAT fixed its surplus reserves of FRW 80,000 million in a fixed deposit investment earning a fixed interest rate of 15% and this was correctly recorded in January 2022. The fixed deposit investment matured on 31 December 2022 though both the principal and interest were received on RACAT's bank account on 2 January 2023. RACAT's accountant had not yet updated the final accounts at the reporting date.
- (4) The extra-ordinary item is a financial loss suffered by RACAT relating to theft of a "cash grant" of FRW 27,500 million by three (3) senior staff in the "Grants management department"

III 13 AUGUST 2023 ICPARAUGUST 2023

who fraudulently advised the donor to transfer these funds to a personal account. The fraud was discovered by the accountant in January 2022 after all the three employees had resigned and left the country in December 2021. It is unlikely that any of the funds will be recovered by RACAT.

(5) As a government entity, RACAT is formally exempted from all tax liabilities

Required:

In accordance with the applicable International Public Sector Accounting Standards as far as the information permits, prepare for RACAT;

(a) A Statement of financial performance for the year ended 31 December 2022.

(10 Marks)

(b) A Statement of financial position as at 31 December 2022.

(15 Marks)

(Total: 25 Marks)

End of question paper

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